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FISCAL IMPACT STATEMENT

LS 6576

BILL NUMBER: HB 1130

NOTE PREPARED: Dec 21, 2005

BILL AMENDED:

SUBJECT: Regulation of Insurance Rates.

FIRST AUTHOR: Rep. Kromkowski

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill establishes the Insurance Rate Commission. It requires certain insurers to receive approval of the Commission before using rates. It also makes conforming amendments.

Effective Date: July 1, 2006.

Explanation of State Expenditures: Under existing law, insurance rates are filed with, approved by, and reviewed by the Department of Insurance (DOI) Commissioner. Under the proposal, rates must be filed with the Commissioner for approval by the Insurance Rate Commission. This change could affect state agencies if having rates approved by the Commission results in rates that would substantially differ from those that would have been approved by the Commissioner. This difference, if any, can not be predicted.

The bill establishes the Insurance Rate Commission. The Commission consists of one state employee and eight lay members. Each member of the Commission who is not a state employee is entitled to per diem and reimbursement for traveling expenses and other expenses incurred in connection with the member's duties. Each member who is a state employee is entitled to reimbursement for traveling expenses and other expenses incurred in connection with the member's duties. Per diem and traveling expenses for the Commission will depend on how often the Commission meets and how far members travel to attend meetings. It is expected that expenses will be less than \$10,000.

The Commission must review rates, provide notices and hearings, and approve or disapprove rates. The Commissioner must provide notice of approval, disapproval, or the need for additional information from an insurer not more than ten days after the Commission takes action. The DOI must staff the Commission. Adding

the Commission to the rate approval process and staffing the Commission will increase administrative costs. However, it is likely that the DOI will be able to cover any additional costs given its existing staff and resources. Expenses of the Commission must be paid from the DOI Insurance Fund.

Rules. The Commission may adopt rules to implement the provisions of the bill. The DOI should be able to cover administrative expenses associated with rule adoption given its existing level of staff and resources.

Background Information. The DOI Insurance Fund consists of audit fees remitted by insurers to the Commissioner, filing fees remitted by insurers to the Commissioner, and any other amounts remitted to the Commissioner or the DOI that are required by rule or statute. Money in the fund at the end of a particular fiscal year does not revert to the state General Fund. Money in the fund is annually appropriated to the DOI.

Explanation of State Revenues:

Explanation of Local Expenditures: Local units could be affected only to the extent that having rates approved by the Commission results in rates that would substantially differ from those that would have been approved by the Commissioner. This difference, if any, can not be predicted.

Explanation of Local Revenues:

State Agencies Affected: DOI.

Local Agencies Affected: All.

Information Sources:

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